

Minutes
Wylie Economic Development Corporation
Board of Directors Meeting

Tuesday, January 20, 2015 – 6:30 A.M.
WEDC Offices – Conference Room
250 South Highway 78 – Wylie, Texas

CALL TO ORDER

Announce the presence of a Quorum

President Marvin Fuller called the meeting to order at 6:31 a.m. Board Members present were John Yeager, Mitch Herzog, Demond Dawkins and Todd Wintters.

Ex-officio members Mayor Eric Hogue and Mindy Manson, City Manager were also present.

WEDC staff present was Executive Director Sam Satterwhite and Sr. Assistant Angel Wygant.

CITIZEN PARTICIPATION

With no citizen participation, Mr. Fuller proceeded to Action Items.

ACTION ITEMS

ITEM NO. 1 – Consider and act upon approval of the December 19, 2014 Minutes of the Wylie Economic Development Corporation (WEDC) Board of Directors Meeting.

MOTION: A motion was made by Mitch Herzog and seconded by Todd Wintters to approve the December 19, 2014 Minutes of the Wylie Economic Development Corporation. The WEDC Board voted 5 – FOR and 0 – AGAINST in favor of the motion.

ITEM NO. 2 – Consider and act upon approval of the December 2014 WEDC Treasurer's Report.

MOTION: A motion was made by John Yeager and seconded by Todd Wintters to approve the December 2014 WEDC Treasurer's Report. The WEDC Board voted 5 – FOR and 0 – AGAINST in favor of the motion.

EXECUTIVE SESSION

Due to a Board Member schedule conflict, the Board Recessed into Closed Session at 6:47a.m. in compliance with Section 551.001, et.seq. Texas Government Code, to wit:

Section 551.072 (Real Estate) of the Local Government Code, Vernon's Texas Code Annotated (Open Meetings Act). Consider the sale or acquisition of properties located near the intersection of:

- Cooper Drive & State Highway 78
- Ballard Street & Stone Rd.

Board Member Dawkins left the meeting at 7:30 a.m. and City Manager Mindy Manson left the meeting at 7:31 a.m.

Section 551.087 (Economic Development) of the Local Government Code, Vernon's Texas Code Annotated (Open Meetings Act).

Board Member Herzog left the meeting at 7:36 a.m. due to a conflict of interest relating to project 2014-9b.

- Project 2014-9b
- Project 2015-1a

Board Member Herzog returned to the Meeting at 7:41 a.m. following completion of the discussion regarding Project 2014-9b. Board Member Dawkins returned to the meeting at 7:52 a.m.

RECONVENE INTO OPEN MEETING

The WEDC Board of Directors reconvened into open session at 8:00 a.m. and took no action as a result of discussions held in Executive Session.

ITEM NO. 3 – Consider and act upon issues surrounding the WEDC 2014 Annual Report.

Staff reminded the Board that per the WEDC By-laws, the WEDC must present an annual report to the Wylie City Council no later than January 31st of each year. The report must include, but is not limited to, a review of all expenditures made by the Board, a review of accomplishments, and a review of other than direct economic development activities. Staff believed Report as presented met the intent of the requirement of the By-laws with the same to be presented to the City Council on January 27, 2015.

Staff recommended that the WEDC Board of Directors approve the 2014 WEDC Annual Report as presented by staff.

The Board directed staff that within its report to Council information pertaining to the Enrichment Grant Program be presented as well as a comparison of the original WEDC vision for Martinez Lane and the completed product which exists today.

MOTION: A motion was made by John Yeager and seconded by Todd Wintters to approve the Annual Report with the inclusion of the additional information requested by the Board. The WEDC Board voted 5 – FOR and 0 – AGAINST in favor of the motion.

ITEM NO. 4 – Remove from Table: Consider and act upon issues surrounding a Performance Agreement between the WEDC and RR Maquire Management, Inc.

MOTION: A motion was made by Todd Wintters and seconded by Demond Dawkins to remove this item from Table. The WEDC Board voted 5 – FOR and 0 – AGAINST in favor of the motion.

Staff requested that this item be tabled again until the February 20, 2015 Board Meeting or any Special Called meeting held prior to that date.

MOTION: A motion was made by Todd Wintters and seconded by Demond Dawkins to Table this item until the February 20, 2015 Board Meeting or any Special Called meeting held prior to that date. The WEDC Board voted 5 – FOR and 0 – AGAINST in favor of the motion.

ITEM NO. 5 – Consider and act upon issues surrounding a Performance Agreement between the WEDC and Von Runnen Holdings, Inc.

Staff reviewed a Performance Agreement between WEDC and Von Runnen Holdings, Inc. An incentive package totaling \$40,000 was proposed with Von Runnen constructing a 12,047 square foot commercial structure with an estimated design and construction cost of \$1,367,417.

The Performance Agreement requires that Von Runnen:

1. Receive a Certificate of Occupancy no later than January 1, 2016; and
2. Provide WEDC with construction documents supporting a minimum design and construction cost of \$1,250,000; and
3. Be current on all ad valorem taxes due; and
4. Maintain a minimum appraised value for real and personal property improvements (excluding land) of \$1,000,000.

Upon receiving a Certificate of Occupancy by the City of Wylie, Von Runnen will receive Incentive Payment No. 1 of \$20,000. After meeting valuation requirement in Years 2 and 3, Von Runnen will receive an annual Incentive Payment of \$10,000.

While staff received detailed cost estimates of \$1,367,417 for the improvements, a lesser amount of \$1,250,000 is being required so as to allow for cost reductions if necessary. Under the same philosophy, staff is only requiring a minimum appraised value of \$1,000,000 (excluding land) following construction so that the Board is not revisiting this issue after an unanticipated valuation by the Central Appraisal District. Further, the \$40,000 incentive package was designed utilizing \$1,000,000 in new value. Staff commented that Von Runnen may have benefitted from using a \$1.3 mm value for an increased incentive, but a more conservative approach is being presented so as to limit the opportunities for default.

Staff recommended that the WEDC Board of Directors approve a Performance Agreement between WEDC and Von Runnen Holdings, Inc.

MOTION: A motion was made by John Yeager and seconded by Mitch Herzog to approve the Performance Agreement between WEDC and Von Runnen Holdings, Inc. The WEDC Board voted 5 – FOR and 0 – AGAINST in favor of the motion.

DISCUSSION ITEMS

ITEM NO. 6 – Staff report: review issues surrounding Performance Agreements between the WEDC and: Woodbridge Crossing, Ascend Custom Extrusions, CSD Woodbridge, Swimcat, All State Fire, Exco Extrusion Dies, The Wedge, City of Wylie Audit, Annual Comptrollers Report, staff training, City of Wylie 19 acres, Jackson Street Properties, Greenway Investments, sporting events, and regional housing starts.

Woodbridge Crossing

Attached for the Board's review was the Sales Tax Reimbursement Report which identified all sales taxes generated through October 2014 within Woodbridge Crossing for the City General Fund, the WEDC, and the 4B. As a reminder, the City and WEDC reimbursed 85% of all sales tax generated within Woodbridge Crossing through September 2013 with the reimbursement percentage reduced to 65% thereafter. Due to the default under the Amended and Restated Performance Agreement, Woodbridge Crossing is only eligible to receive up to \$6 million in sales tax reimbursement through September 2021 as opposed to the maximum reimbursement of \$12 million originally contemplated.

\$2,557,635 was eligible for reimbursement through November with net receipts of \$1,710,067 after reimbursements. As well, it is estimated that \$2.5 mm has been paid in ad valorem taxes to the City of Wylie (excluding the WISD).

As shown on the Sales Tax Reimbursement Report, \$92,796 was generated in sales tax in October 2014 versus \$60,385 in October of 2013. This increase represents a 54% gain over 2013 receipts. The Board will recall though that many businesses were not being tracked properly by the Comptroller which was identified and corrected in February 2014.

The City of Wylie Finance Department determined that Inland had not cashed the last four sales tax reimbursement checks dating back to 4-4-14 and totaling \$529,831. City staff determined that the checks were sent to the correct address. After contacting Inland, they were able to locate the most recent check dated 11-24-14 but asked that the previous three checks be voided and reissued.

Staff did confirm with Finance that the WEDC portion of the above expense (1/3 = \$176,610) is already reflected in the Claim on Cash within the WEDC Balance Sheet.

Ascend Commercial Lease and Performance Agreement

Attached for review were the Ascend Custom Extrusion Critical Dates Analysis and Performance Agreement Monitoring Procedures. Payment #4 of 5 for the Economic Incentives has been funded with Ascend meeting all Performance Obligations within Sections A and B of the attachment.

Also attached for review was the Performance Agreement between the WEDC and ACE which was approved in December 2013. Payment #1 of 4 has been funded with Ascend meeting all Performance Obligations within Section A of the attachment.

CSD Woodbridge Performance Agreement

On July 15, 2013 a certificate of occupancy (CO) was issued for Kroger Marketplace. Beginning October 1, 2013 and ending October 1, 2023, Clark Street Development is eligible to receive a ½ cent sales tax reimbursement from the WEDC (City of Wylie not part of sales tax reimbursement agreement). Quarterly payments will be made to Clark Street based upon the data provided by the Comptroller. In addition to the \$100,000 reimbursement incentive paid by the WEDC at CO, Clark Street is eligible to receive cumulative incentives of \$1,100,000 over the life of the Agreement.

Along with a summary of the Performance Agreement, a Sales Tax Reimbursement Report is included for the Board's review. The Board will note that the August receipts fell dramatically, most likely due to Kroger not being included within the report. The only logical explanation for the decrease is that Kroger must pay quarterly.

Swimcat

Mr. Rush completed his building on Westgate and received a Certificate of Occupancy from the City of Wylie. Staff is awaiting documentation supporting construction cost of \$375,000. Upon receipt of the same, the WEDC will issue an incentive payment in the amount of \$15,000 as called for in the Performance Agreement between the WEDC and Swimcat, LLC.

All State Fire

All State Fire closed on the purchase of 1.2 acres within Century Business Park with the intent of constructing a ±9,500 square foot office warehouse. Construction costs are estimated at \$1.1 - \$1.2 mm which their lender is having difficulties finding comp's for. Staff believed that the project would still move forward but All State will either have to reduce costs significantly or find other lending options.

Exco Extrusion Dies

On January 8, 2015 the WEDC executed all documents necessary to convey 3.2 acres to Exco Extrusion Dies under the terms of a Real Estate Lien Note and Performance Agreement under

which Exco will construct a 30,000 square foot light manufacturing facility. Exco will break ground on January 19th and anticipates completing construction on or about October 2015.

The Performance Agreement with Exco outlines the forgiveness of a \$350,000 owner financed real estate note over 5 years, an \$87,000 incentive payment upon issuance of a certificate of occupancy, and a \$20,000 annual incentive payment for the remaining four years so long as a \$7.55 mm valuation requirement is met.

The Wedge

The Rock Wood Fired Kitchen received their Certificate of Occupancy from the City of Wylie on December 23, 2014 and opened to the public on December 29th. Following receipt of documentation supporting the expenditure of an additional \$137,500 in qualified expenditures, the WEDC will issue its second and final reimbursement payment under the existing Performance Agreement.

City of Wylie Audit

Weaver LLP is currently performing the City of Wylie audit within which the WEDC is a Component Unit. While the evaluation will not be finalized until the week of January 19th, the Finance Department does not anticipate any comments or recommendations pertaining to WEDC financial practices.

Annual Comptrollers Report

Staff completed the 2014 Annual Economic Development Corporation Report as required by the Comptroller of Public Accounts. Every sales tax corporation in the State is required to submit this document no later than February 1, 2015.

Staff Training

Staff informed the Board he is planning on spending the next 12 - 18 months taking courses to become a Certified Economic Developer (CED) through the International Economic Development Council (IEDC). There is required coursework involving an Introduction to Economic Development, Business Retention and Expansion, Economic Development Credit Analysis, and Real Estate Development and Reuse. There is also elective coursework in Economic Development Finance, Marketing & Attraction, Strategic Planning, Small Business Development Strategies, Managing Economic Development Organizations, Neighborhood Development Strategies, Technology-Led Economic Development, and Workforce Development Strategies. There will be a total of six multi-day training sessions in addition to a thesis and oral exam facilitated by a panel of peers.

The total cost associated with course registration, lodging, and airfare equals \$7,655. The WEDC budget currently allows for staff to attend two Texas Economic Development conference events and one IEDC event. Assuming Board support, staff will reallocate one TEDC event and IEDC conference funding to offset the increased funding for the CED training.

City of Wylie 19 acres

Staff informed the Board that PBK will be facilitating a joint planning session between the Wylie City Council and the WEDC Board of Directors on January 27, 2015. Board Members were asked to mark their calendars accordingly.

Jackson Street Properties

Intercon Demolition began the environmental assessment report required prior to the demolition of the Laundromat. Staff is currently evaluating whether the existing slab could be utilized for short term parking. Further, staff had scheduled a meeting for January 7th with a mixed use developer that may be able to assist in the process of establishing a vision for the property. That meeting was cancelled and rescheduled for the week of the January 19th.

Greenway Investments

Mark Hardaway with Greenway contacted the WEDC indicating that there has been a pad sale near Chiloso, several fast food inquiries for the remaining pads, and inquiries into the sale of the Carlisle building. Staff reminded the Board that Greenway had approached the WEDC several years ago and inquired as to the opportunity for WEDC assistance in the demolition of the Carlisle building which at that time was ±\$100,000.

Sporting Events

Staff attached a spreadsheet by which the use of Mavericks tickets is tracked.

Regional Housing Starts

65 homes were permitted in Wylie for December 2014 with a total of 280 for 2014. Sachse, Lavon, and Murphy permitted a combined 48 homes over the same period and 476 for the year.

No action was requested by staff for this item.

ADJOURNMENT

With no further business, President Fuller adjourned the WEDC Board meeting at 8:37 a.m.



Marvin Fuller, President

ATTEST:



Samuel Satterwhite, Director